

# Department of Insurance, Securities, and Banking

www.disb.dc.gov

## Department of Insurance, Securities and Banking (New)

Description	FY 2003 Actual	FY 2004 Approved	FY 2005 Proposed	% Change from FY 2004
Operating Budget	N/A	N/A	\$13,148,126	N/A
Operating FTEs	N/A	N/A	129.0	N/A

## Department of Insurance and Securities Regulation

Description	FY 2003 Actual	FY 2004 Approved	FY 2005 Proposed	% Change from FY 2004
Operating Budget	\$9,348,567	\$10,244,653	N/A	N/A
Operating FTEs	98.7	107.0	N/A	N/A

## Department of Banking and Financial Institutions

Description	FY 2003 Actual	FY 2004 Approved	FY 2005 Proposed	% Change from FY 2004
Operating Budget	\$2,146,270	\$2,646,131	N/A	N/A
Operating FTEs	18.5	25.0	N/A	N/A

*In FY 2004, the Department of Banking and Financial Institutions (DBFI) merged with the Department of Insurance and Securities (DISB) to form a new agency. Operationally, DBFI's mission and programs were transferred and will be fulfilled within the merged Department of Insurance, Securities, and Banking (DISB). DBFI's projected FY 2005 funding requirement of \$2,000,000 and 22 FTEs were transferred to support those operational and programmatic functions that continue within the new Department of Insurance, Securities and Banking.*

The mission of the Department of Insurance, Securities, and Banking is to provide fair, efficient and timely regulatory supervision of insurance, securities and banking businesses for the protection of the people of the District and to create conditions that will attract and retain national and international insurance and other financial service business to the District of Columbia.

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## Funding by Source

Tables SR0-1 and 2 show the sources of funding and FTEs by fund type for the Department of Insurance, Securities, and Banking.

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Table SR0 -1

### FY 2005 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

Appropriated Fund	Actual FY 2002	Actual FY 2003	Approved FY 2004	Proposed FY 2005	Change from FY 2004	Percent Change
Local Fund	0	0	0	0	0	0.0
Special Purpose Revenue Fund	8,346	9,349	10,244	13,148	2,904	28.3
<b>Total for General Fund</b>	<b>8,346</b>	<b>9,349</b>	<b>10,244</b>	<b>13,148</b>	<b>2,904</b>	<b>28.3</b>
<b>Gross Funds</b>	<b>8,346</b>	<b>9,349</b>	<b>10,244</b>	<b>13,148</b>	<b>2,904</b>	<b>28.3</b>

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Table SR0 - 2

### FY 2005 Full-Time Equivalent Employment Levels

Appropriated Fund	Actual FY 2002	Actual FY 2003	Approved FY 2004	Proposed FY 2005	Change from FY 2004	Percent Change
<b>General Fund</b>						
Special Purpose Revenue Fund	91	99	107	129	0	0.0
<b>Total for General Fund</b>	<b>91</b>	<b>99</b>	<b>107</b>	<b>129</b>	<b>0</b>	<b>0.0</b>
<b>Total Proposed FTEs</b>	<b>91</b>	<b>99</b>	<b>107</b>	<b>129</b>	<b>0</b>	<b>0.0</b>

Note: Information provided for FY 2002 - FY 2004 is DISR only.

## Expenditures by Comptroller Source Group

Table SR0-3 shows the FY 2005 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table SR0 -3

### FY 2005 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Comptroller Source Group	Actual FY 2002	Actual FY 2003	Approved FY 2004	Proposed FY 2005	Change from FY 2004	Percent Change
11.Regular Pay - Cont Full Time	5,278	5,954	6,913	8,619	1,705	24.7
12 Regular Pay - Other	134	146	0	182	182	100.0
13 Additional Gross Pay	72	12	35	35	0	0.0
14 Fringe Benefits - Curr Personnel	889	999	1,039	1,408	369	35.5
15 Overtime Pay	42	47	40	40	0	0.0
<b>Subtotal Personal Services (PS)</b>	<b>6,415</b>	<b>7,158</b>	<b>8,028</b>	<b>10,283</b>	<b>2,256</b>	<b>28.1</b>
20 Supplies and Materials	44	50	66	78	12	18.8
31 Telephone, Telegraph, Telegram, Etc	70	61	71	109	38	52.7
32 Rentals - Land And Structures	801	963	880	1,229	349	39.7
40 Other Services And Charges	451	434	692	729	37	5.3
41 Contractual Services - Other	175	124	150	192	42	28.1
50 Subsidies And Transfers	104	57	78	130	52	66.2
70 Equipment & Equipment Rental	286	501	279	397	118	42.2
<b>Subtotal Nonpersonal Services (NPS)</b>	<b>1,931</b>	<b>2,191</b>	<b>2,217</b>	<b>2,865</b>	<b>648</b>	<b>29.2</b>
<b>Total Proposed Operating Budget</b>	<b>8,346</b>	<b>9,349</b>	<b>10,244</b>	<b>13,148</b>	<b>2,904</b>	<b>28.3</b>

Note: Information provided for FY 2002 - FY 2004 is DISR only.

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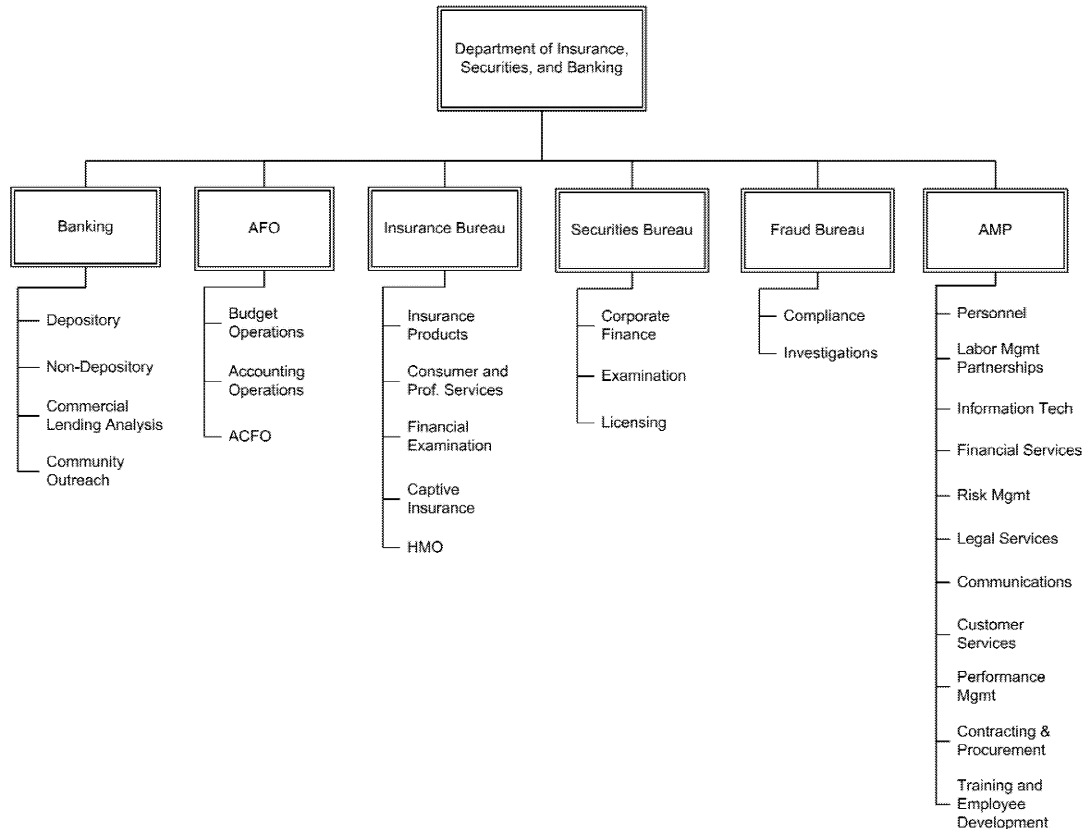
## Expenditure by Program

The Department of Insurance, Securities and Banking has the following program structure:

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Figure SR0-1

### Department of Insurance, Securities and Banking



The agency plans to fulfill its mission by achieving the following strategic result goals:

- **DISB will provide fair, efficient and timely regulatory supervision of the insurance and securities business by:**
  - 95 percent of written complaints received will be responded to within 48 hours and resolved within 45 days of receipt.
  - 100 percent of company license applications will be processed within 60 days of receipt.
  - 100 percent of electronic producer applications will be processed within 10 days of receipt.
  - 90 percent of policy forms will be

processed as accepted or rejected within 45 days of receipt.

- Four market conduct examinations will be finalized in FY 2004 and 8 market conduct examinations will be finalized in FY 2005.
- Four surplus lines brokers or premium finance companies market conduct examinations will be finalized in FY 2004 and 4 will be finalized in FY 2005.
- Six domestic insurance companies or HMO financial examinations will be finalized in FY 2004 and FY 2005.
- 90 percent of rate filings reviewed and action will be taken within statutory timeframes.

- Zero percent of domestic insurance companies will become insolvent and cause triggering of guaranty funds.
- 90 percent of captive insurance company applications will be processed within 30 days.
- 90 percent of captive insurers will be examined within statutory timeframes.
- 90 percent of captive insurers will be examined within statutory timeframes.
- In FY 2004, DISB will develop and implement revised financial reporting and monitoring procedures specific to D.C. captive insurance companies and risk retention groups.
- The Securities Bureau will clear 95 percent of the securities registrations within 60 days.
- 95 percent of securities offerings that make notice filings as required by D.C. code and pay the required fee will be acknowledged within 30 days.
- 10 percent of D.C. based investment advisor firms will be examined within the fiscal year.
- 90 percent of the broker-dealer and investment advisor firm licenses will be processed within 25 days of receipt.
- 95 percent of written complaints and referrals to the Securities Bureau will be responded to within 48 hours of receipt and processed within 30 days of receipt.
- 100 percent of application fees collected on securities licenses will be deposited and reconciled within 10 days of receipt.
- DISB will participate in 100 percent of the activities sponsored by the Securities and Exchange Commission to encourage capital formation for small businesses in the District of Columbia.
- 100 percent of insurance company anti-fraud plans will be filed and reviewed within 6 months of company licensing date.
- 177 investigative cases will be closed by the end of FY 2004 and 194 investigative cases closed by the end of FY 2005.
- 100 percent of investigative referrals will be evaluated and assigned within 5 business days of receipt.
- The number of prosecutions, convictions or other legal action of the United States Attorney Office and MPD referred cases will increase 20 percent over FY 2003 results.
- 100 percent of DISB personnel workforce plan commitments will be met within the FY 2005.
- 75 percent of hard copy documents will be scanned within 2 weeks of receipt.
- 75 percent of service requests submitted to the Administrative Support Unit will be completed within 2 days of receipt.
- 70 percent of DISB legislative program will be forwarded to the Council for enactment within fiscal year.
- 90 percent of requests for legal advice/review will be responded to within established timeframes.
- 90 percent of claims and lawsuits responded to within 30 days of receipt.
- 95 percent of FOIA requests responded to within 10 business days of receipt.
- 70 percent of employee grievances and discrimination complaints resolved without administration litigation.
- The number of community outreach programs that seek to educate and inform consumers and investors will increase by 20 percent in FY 2005.
- DISB will receive a customer service rating of at least 4 on all four Customer Service telephone quality criteria.
- 70 percent of FY 2004 Individual Performance Plans will be completed within required timeframes.
- **DISB will create conditions that will attract and retain national and international insurance and other financial service businesses to the District of Columbia as evidenced by:**
  - Increasing revenue generated for the District of Columbia from insurance and securities businesses by 10 percent over the previous year.
  - A 100 percent increase of captive companies licensed from the previous fiscal year.
  - At least two (2) new domestic insurance companies attracted to the District of Columbia in FY 2004.

- Updating the Insurance Bureau, Securities Bureau, and Fraud Bureau Information shown on the DISB website and include a section on the website exclusively for the Captive Insurance Division.
- In FY 2004 and FY 2005, DISB will participate in at least four events through the NAIC or the International Association of Insurance Supervisors (IAIS) that will provide opportunities to work with foreign regulators.

## Gross Funds

The proposed budget is \$13,148,126 representing a change of 2.0 percent from the merged FY 2004 approved budgets of DBFI and DISR, totaling \$12,890,284. There are 129 total FTEs for the merged agency, a decrease of 3.0, or a decrease of 2.3 percent from the FY 2004 approved budget.

## General Fund

**Special Purpose Revenue Funds.** The proposed budget is \$13,148,126, representing a change of \$257,342, or 2.0 percent from the merged FY 2004 approved budgets of \$12,890,784. There are 129 FTEs for the merged agency, a decrease of 3.0, or a decrease of 2.3 percent from the FY 2004 approved budget.

## Programs

The Department of Insurance Securities and Banking is committed to the following programs:

### Insurance Bureau

	FY 2004	FY 2005
Budget	\$5,048,077	\$6,362,607
FTEs	47.0	54.2

### Program Description

The **Insurance Bureau** program primarily supports the Citywide Strategic Priority area of *Making Government Work*. The purpose of the Insurance Bureau Program is to regulate the insurance industry in the District in order to pro-

tect the interests of consumers and ensure that insurance companies are in compliance with the laws and regulations of the District. Activities of the program include:

- **Insurance Products** - provides for the review or analysis of insurance policy forms offered in the District as well as sales and marketplace practices of insurance companies to determine compliance with D.C. Code.
- **Financial Examination** - provides financial review and solvency monitoring, premium rate analysis, and technical assistance of financial compliance matters, in order to maintain a viable insurance marketplace in the District.
- **Captive Insurance** - provides a mechanism for organizations to acquire insurance in the alternative market by establishing a self owned insurance company through specific licensing, financial solvency and compliance monitoring procedures.
- **Consumer and Professional Services** - provides licenses to insurance companies and producers as well as complaint resolution for consumers in the District so that the companies are in compliance with D.C. Code and the consumers can resolve their disputes with the insurance companies.
- **HMO** - provides solvency and compliance monitoring, rate approval, and technical assistance for the HMO industry, other regulators and the public so that there is a viable managed care insurance market in the District.

Key initiatives are to:

- Implement a program for on-site examination of broker-dealers and investment advisers in coordination with other federal and state regulatory agencies.
- Enhance State Based Systems (SBS) automated licensing system to include modules for company licensing and consumer complaints. Also, enhance system to accommodate on-line application processing for D.C. resident producers.
- Develop financial reporting standards as well as licensing and financial monitoring procedures for captive insurance companies.

- Implement the proposed National Association of Insurance Commissioners (NAIC) financial regulatory requirements in order for DISB to maintain NAIC accreditation status.
- Develop a licensing and regulatory monitoring process for Public Insurance Adjustors.
- Coordinate a national market conduct examination process to determine if insurance companies have complied with the Privacy provisions of Gramm-Leach-Bliley Act.
- Participate in NAIC Committees and Working Groups relating to Speed to Market and Insurance Regulatory Modernization.

### Program Budget Summary

This program has a gross funds budget of \$6,362,607, or 26.0 percent from the FY 2004 approved budget of \$5,048,077. There are 54.0 FTEs for this program, an increase of 7.4 FTEs or 15.8 percent above FY 2004. Changes from the FY 2004 budget include:

- The addition of the HMO activity within this program.

### Key Result Measures

#### Program 1: Securities Bureau

*Citywide Strategic Priority Area(s):* Making Government Work

*Manager(s):* Theodore Miles

*Supervisor(s):* Lawrence H. Mirel, Commissioner

#### Measure 1.1: Percent of the securities registrations cleared by the Securities Bureau within 60 days

	Fiscal Year		
	2004	2005	2006
Target	95	95	95
Actual	-	-	-

Note: Previously written as "Percent of the securities offerings reviewed by Securities Bureau."

#### Measure 1.2: Percent of DC-based investment advisor firms examined within 12 months

	Fiscal Year		
	2004	2005	2006
Target	10	10	10
Actual	-	-	-

#### Measure 1.3: Percent of the broker dealer and investment advisor firm licenses processed within 25 days of receipt

	Fiscal Year		
	2004	2005	2006
Target	90	90	90
Actual	-	-	-

Note: Previously written as "Percent of the applications process completed within 25 days"

### Securities Bureau

	FY 2004	FY 2005
Budget	\$1,752,632	\$2,859,337
FTEs	16.0	25.2

### Program Description

The Securities Bureau program primarily supports the Citywide Strategic Priority area of *Making Government Work*. The purpose of this program is to regulate the securities industry so that it can comply with the laws and regulations of the District. Key activities of the program include:

- **Corporation Finance** - provides effective review and analysis about certain securities offerings to investors so they can receive full disclosure as required by the D.C. Code.
- **Licensing** - provides for licensing and registration of securities professionals so that they are in compliance with the D.C. Code.
- **Examinations** - provides for the performance of examinations to determine regulatory compliance of securities firms and their representatives as well as investment advisors so that they can institute effective measures for achieving compliance with the D.C. Code. Key initiatives are:
  - Review the compliance status of D.C. securities firms and individuals regarding unregistered securities offerings, unsuitable transactions and market activity in the securities of mutual funds and take appropriate remedial action.
  - Use web-based complaint and inquiry system for communication with members of the public and the securities industry.
  - Develop a coordinated response to common securities regulatory issues affecting banks, insurance companies and broker-dealers and

investment adviser firms in response to federal Gramm-Leach-Bliley legislation.

### Program Budget Summary

The program has a gross funds budget of \$2,859,337, or 63.2 percent over the FY 2004 approved budget of \$1,752,632. There are 25.2 FTEs for this program, an increase of 9.2, or 56.3 percent over FY 2004. Changes from the FY 2004 budget include:

- The re-distribution of FTEs from the Agency Management and Fraud programs into this program

### Key Result Measures

#### Program 2: Insurance Bureau

*Citywide Strategic Priority Area(s):* Making Government Work

*Manager(s):* Theodore Miles

*Supervisor(s):* Lawrence H. Mirel, Commissioner

#### Measure 2.1: Percent of policy forms processed as accepted or rejected within 45 days of receipt

	Fiscal Year		
	2004	2005	2006
Target	90	90	85
Actual	-	-	-

#### Measure 2.2: Number of domestic insurance companies finalized within a fiscal year

	Fiscal Year		
	2004	2005	2006
Target	6	6	6
Actual	-	-	-

Note: Previously written as "Number of domestic insurers examined within the fiscal year."

#### Measure 2.3: Percent increase in the number of captive companies licensed over

	Fiscal Year		
	2004	2005	2006
Target	100	100	100
Actual	-	-	-

#### Measure 2.4: Percent of written complaints that are responded to within 48 hours and resolved within 45 days of receipt

	Fiscal Year		
	2004	2005	2006
Target	95	95	95
Actual	-	-	-

#### Measure 2.5: Number of HMO financial examinations finalized within a fiscal year

	Fiscal Year		
	2004	2005	2006
Target	6	6	6
Actual	-	-	-

### Fraud Bureau

	FY 2004	FY 2005
Budget	\$886,650	\$484,769
FTEs	9.0	8.0

### Program Description

The **Fraud Bureau** program primarily supports the Citywide Strategic Priority of *Making Government Work*. The purpose of the Fraud Bureau Program is to provide investigations determinations, and referrals for insurance and securities companies and individuals suspected of fraud, in order to protect the interests of the residents and consumers and within the District. Activities of the program include:

- **Compliance** - provides regulation guidance, training, data analysis and reporting guidelines for securities/insurance entities, DISB, and other jurisdictions so they can be in compliance with insurance and securities anti-fraud requirements.
- **Investigation** - provides violation evaluations, investigation, and remedies to individuals, insurance and securities entities and other jurisdictions in order to prevent, detect, and prosecute fraudulent insurance and securities activities.
- Participate in **National Association of Insurance Commissioners (NAIC)** anti-fraud committee activities to standardize and enhance the DISB Fraud Bureau's operational procedures.

Key initiatives are:

- Participate with NAIC and federal authorities in the creation of an insurance anti-fraud information network.
- Amend the current fraud statute to obtain misdemeanor insurance fraud law.
- Enact legislation creating a civil penalty for fraudulent insurance activity.



- Implement a process to investigate actions on Insurance Producers.

### Program Budget Summary

This program has a gross funds decrease of \$401,881, or 45 percent below the FY 2004 approved budget. This program has 8.0 FTEs, a decrease of 1.0, or 11.1 percent from the FY 2004 approved budget.

### Key Result Measures

#### Program 3: Fraud Bureau

*Citywide Strategic Priority Area(s):* Making Government Work

*Manager(s):* Stephen Perry

*Supervisor(s):* Lawrence H. Mirel,  
Commissioner

#### Measure 3.1: Percent of insurance company anti-fraud plans filed and reviewed within 6 months of company licensing date

	Fiscal Year		
	2004	2005	2006
Target	100	100	
Actual	-	-	

Note: Previously written as "Percent compliance with filings of insurance anti-fraud plans within 6 months of licensing date."

#### Measure 3.2: Number of investigative cases closed by the end of the fiscal year

	Fiscal Year		
	2004	2005	2006
Target	177	194	212
Actual	-	-	-

### Banking

	FY 2004	FY 2005
Budget	0	\$1,630,202
FTEs	0.0	18.0

### Program Description

The **Banking** program provides regulatory services to District financial institutions and consumers allowing them to benefit from a fair and equitable financial arena; community development strategies and capital access services to ensure better access to financing for housing opportunities and business development; and provides residents with financial education and information so that they can become informed

consumers of financial services. The following activities are in the Banking program:

- Depository
- Non-Depository
- Commercial lending analysis
- Community Outreach

### Program Budget Summary

Since this program is a new addition to the agency in FY 2005, no analysis can be done between the FY 2005 request and the previous budget years. This program has a gross funds budget request of \$1,630,202 and supports 22.0 FTEs.

### Agency Management

	FY 2004	FY 2005
Budget	\$2,557,097	\$1,811,211
FTEs	35.3	23.6

### Program Description

The purpose of the **Agency Management** program is to provide the operational support the agency so they have the necessary tool achieve operational and programmatic real. This program is standard for all performance based budgeting agencies.

### Key Result Measures

#### Program 4: Agency Management

*Citywide Strategic Priority Area(s):* Making Government Work

*Manager(s):* Lawrence H. Mirel, Commissioner

*Supervisor(s):* Lawrence H. Mirel,  
Commissioner

#### Measure 4.1: Dollars saved by agency-based labor management partnership project(s)

	Fiscal Year		
	2004	2005	2006
Target	-	-	-
Actual	-	-	-

Note: Although agencies established their initial labor-management partnership projects in FY 2003, very few had cost savings as objectives. Agencies will continue ongoing projects and/or establish new projects by the third quarter of FY 2005. Cost savings will be tracked for this measure for those projects that have cost savings as a key objective.

**Measure 4.2: Percent variance of estimate to actual expenditure (over/under)**

	Fiscal Year		
	2004	2005	2006
Target	5	5	5
Actual	-	-	-

**Measure 4.3: Cost of Risk**

	Fiscal Year		
	2004	2005	2006
Target	-	-	-
Actual	-	-	-

Note: Note: Although agencies established their initial labor-management partnership projects in FY 2003, very few had cost savings as objectives. Agencies will continue ongoing projects and/or establish new projects by the third quarter of FY 2005. Cost savings will be tracked for this measure for those projects that have cost savings as a key objective.

**Measure 4.4: Rating of 4-5 on all four telephone service quality criteria: 1) Courtesy 2) Knowledge 3) Etiquette and 4) Overall Impression)**

	Fiscal Year		
	2004	2005	2006
Target	4	4	4
Actual	-	-	-

**Measure 4.5: Percent of Key Result Measures achieved**

	Fiscal Year		
	2004	2005	2006
Target	70	70	70
Actual	-	-	-